

PREFILED TESTIMONY OF
ANTHONY B. SIMEONE

Q. Please state your name and business address?

A. Anthony B. Simeone. My business address is the Rhode Island Clean Water Finance Agency (RICWFA). The Foundry, Suite 119, 235 Promenade Street, Rhode Island.

Q. For whom are you employed and what is your position?

A. I am employed by the RICWFA as its Executive Director.

Q. For how long have you been so employed?

A. Since June 1994.

Q. Have you previously testified before the Public Utilities Commission?

A. Yes. I have provided testimony regarding the Narragansett Bay Commission (NBC).

Q. What is the purpose of your testimony?

A. To provide information regarding the RICWFA Drinking Water State Revolving Fund (DWSRF) program and other financing services that the RICWFA can make available to the Pawtucket Water Supply Board.

Q. What services can the RICWFA make available to the Pawtucket Water Supply Board?

A. For qualified new money projects the RICWFA can make subsidized loans (25% below market rate) to the PWSB. The RICFWA and the DWSRF are able to offer subsidized loan rates through the use of federal capitalization funds and special reserves. When the RICWFA borrows funds from the capital markets and loans funds to its borrowers, interest earned on the reserves is used to reduce the interest rates paid by the borrowers. For refinancing of prior debt or to finance projects not qualified under the DWSRF, the RICWFA can serve as a conduit issuer. This would enable the PWSB to consolidate all of its financing under the RICWFA umbrella.

Further, the proposed financing structure also enables the City and the PWSB to establish a new revenue-based credit structure that is consistent with the regional nature of the water system and that does not utilize the credit or debt capacity of the City.

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2 **Q: How will the subsidized SRF loans be structured?**

3 A: The SRF program follows the regulations and guidance of the federal authorizing
4 legislation as well as RICWFA loan policies and procedures. The project approvals are
5 subject to the issuance of and terms of a Certificate of Approval by the Rhode Island
6 Department of Health. The loans will be structured as a “credit line” such that interest
7 will not be due until payments are made based on invoices presented by the project
8 vendors. Interest may be capitalized on these loans during the construction period.
9 Principal Amortization usually begins within one year after completion of the
10 construction period.

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12 The interest rate for the SRF loans will be 25% below the rate the public capital markets
13 would offer based on the credit of the borrower and the structure of the loan. The market
14 rate will be determined very close to closing of the loans. Under current market
15 conditions the subsidized rate is estimated at 4.0% to 4.25% percent. Interest will be
16 fixed over the life of the loan.

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20 **Q: Does this complete your testimony?**

21 A: Yes, it does